

MONTANA STATE AUDITOR

MONICA J. LINDEEN
STATE AUDITOR



COMMISSIONER OF INSURANCE
COMMISSIONER OF SECURITIES

March 19, 2009

Edward M. Liddy
Chairman and CEO
American International Group, Inc.
70 Pine Street
New York, NY 10270

Re: AIG Compensation

Dear Mr. Liddy:

I write today to address the serious matter of executive compensation and bonuses paid to executives of AIG.

As you know, AIG and its various units and subsidiaries are registered to sell both securities and insurance products in the State of Montana. As the Commissioner of Securities and the Commissioner of Insurance for the people of Montana, I take seriously my role in ensuring that Montana consumers are treated fairly, that companies writing business in Montana are solvent, and that our marketplace is transparent.

The present crises at AIG has resulted in the loss of billions of dollars in shareholder equity to Montana investors. And, although the current crises appears to be housed within the financial services unit(s) of the company, this dire situation has caused additional consumer concern as to the solvency of the insurance business of AIG.

Montana investors and insurance consumers, as federal taxpayers, are now participating in the infusion of funds in an attempt to save your company.

In light of these sacrifices, I must express my dismay and deep concern at the revelation that massive amounts of taxpayer dollars were recently paid in compensation to members of AIG's Financial Products (AIGFP) subsidiary. But my frustration from these revelations goes beyond the terrible perception that this creates in the public consciousness, to a sincere regulatory concern.

What is the true financial condition of AIG? Has the crisis been mitigated by the injection of TARP funds, or has money been diverted to areas other than those necessary to immediately improve the financial welfare of the company? Are Montana consumers, who this office protects, at risk of a further massive failure? And more to the immediate point, what

were the representations made to Montana investors last fall as to the financial condition of the company and the use of TARP funds?

Unfortunately, I am not finding adequate answers to these important questions, which may involve violations of Montana law under the purview of this agency.

Therefore, by the powers granted to me under Montana law, I hereby command that you provide the following information to this agency within five (5) business days of the date of this letter:

- 1) A list of all individuals in the AIG Financial Products subsidiary who received bonus compensation between September 2008 and the present (the "Time Period.") For each individual listed, provide the individual's title, job responsibilities, amount of compensation paid, including salary and bonuses, and any and all employees who approved the bonus compensation, including title and contact information;
- 2) Please identify the source of the above referenced compensation paid to individuals during the Time Period and provide supporting documentation;
- 3) Copies of all employment contracts of all individuals who received compensation and bonuses during the relevant time period;
- 4) A list of all persons involved with negotiating the compensation contracts, including their titles and contact information;
- 5) Copies of any agreements regarding expenditures of TARP funds;
- 6) Identify whether or not TARP Funds were used as source of compensation to AIGFP executives;
- 7) Copies of any correspondence to shareholders during the Time Period regarding the financial health of AIG;
- 8) Copies of the minutes of the Board of Directors of AIGFP during the relevant time period;
- 9) A list of all holdings and transactions of the executive officers of AIGFP in any AIGFP securities during the Time Period; and
- 10) All documents relating to communications with underwriters, broker-dealers, financial analysts, and other financial institutions relating to the issuance of AIGFP securities and its financial condition during the relevant time period.

I am directing my Deputy Securities Commissioner, Lynne Egan to coordinate collection and examination of this information. Please forward this information to her attention at 840 Helena Avenue, Helena, Montana 59601. Deputy Commissioner Egan may be reached at (406) 444-4388. Please direct any further questions on this matter to Executive Counsel John Mudd (406) 444-2040.

I look forward to your reply.

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Sincerely,

Monica J. Lindeen
Montana State Auditor
Commissioner of Securities & Insurance